

State of Florida



# Public Service Commission

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**DATE:** April 25, 2011  
**TO:** Office of Commission Clerk  
**FROM:** Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*  
**RE:** Docket No.: 110009-EI  
Company Name: Progress Energy Florida, Inc.  
Company Code: EI801  
Audit Purpose: Nuclear Cost Recovery Clause Levy County Units 1&2  
Audit Control No: 11-024-2-2

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Attached is the final audit report for the Utility stated above. Volume 2 of the audit working papers is forwarded for confidential treatment pursuant to Rule 25-22.006, Florida Administrative Code. The audit report and volume 1 of the work papers are public and held by the Bureau of Auditing. An attached index lists all confidential material.

I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk.

CJP/pld

Attachments: Confidential Document Index  
Confidential Binder Listed Above

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

State of Florida



**Public Service Commission**

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tampa District Office

**Auditor's Report**

Progress Energy Florida, Inc.  
Nuclear Cost Recovery Clause  
Levy County Units 1 & 2

**As of December 31, 2010**

Docket No. 110009-EI  
Audit Control No. 11-024-2-2

**April 15, 2011**

A handwritten signature in black ink, appearing to read "Jeffery A. Small".

Jeffery A. Small  
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill-Slaughter".

Linda Hill-Slaughter  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated March 1, 2011. We have applied these procedures to the attached summary exhibit prepared by Progress Energy Florida, Inc. and to several of its related schedules in support of its 2010 Nuclear Cost Recovery Clause relief for its site selection, preconstruction and construction cost expenditures for Levy Units 1 & 2 activity in Docket No. 110009-EI.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

## Objectives and Procedures

### **Information**

#### Definitions<sup>1</sup>

“Site Selection cost” are cost that are expended prior to the selection of a site.

“Preconstruction cost” are cost that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the utility completes site clearing work.

“Construction Cost” are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

#### Abbreviations

CCRC	Capacity Cost Recovery Clause
NCRC	Nuclear Cost Recovery Clause
PEF/Company	Progress Energy of Florida, Inc.

### **General**

**Objective:** Our overall objective in this engagement was to verify the 2010 actual cost and true-up calculation in the Company’s NCRC filing in Docket No. 110009-EI and that it is consistent and in compliance with Section 366.93, F.S., and Rule 25-6.0423, F.A.C

**Procedure:** We performed the following specific objectives and procedures to satisfy the overall objectives identified above.

### **Specific**

1. **Objective:** Our objective was to verify that the Company’s filing agrees with its general ledger and that its books and records are kept in accordance with the Code of Federal Regulations (CFR) and the underlying Uniform System of Accounts (USoA).

**Procedures:** We reconciled the Company’s filing to the general ledger and verified that the costs incurred were appropriate and were recorded in the correct accounts.

2. **Objectives:** Our objectives were to verify that Schedule T-1 – Jurisdictional Recovery Balance is accurately calculated and that it includes the correct balances from the supporting schedules of the Company’s 2010 NCRC filing.

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<sup>1</sup> Rule 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

**Procedures:** We reconciled and recalculated a sample of the monthly revenue requirement accruals displayed on Schedule T-1 to the supporting schedules in the Company's 2010 NCRC filing.

3. **Objectives:** Our objectives were to verify that Schedules T-2.1 – Site Selection, T-2.2 – Preconstruction and T-2.3 – Construction Plant Additions, Expenditures and Carrying Cost are accurately calculated and that they include the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

**Procedures:** We reconciled the monthly site selection, preconstruction and construction carrying cost balances displayed on Schedules T-2.1, T-2.2 and T-2.3, respectively, to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the schedule and reconciled the Allowance for Funds Used During Construction (AFUDC) rates applied by the Company to the rates approved in Order No. PSC-05-0945-FOF-EI, issued September 28, 2005.

4. **Objectives:** Our objectives were to verify that the Deferred Tax Return Requirement amounts displayed on Schedules T-3A.1 – Site Selection, T-3A.2 – Preconstruction and T-3A.3 – Construction Carrying Cost on Deferred Tax Asset which rolls forward to Schedule T-1, are accurately calculated and that they include the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

**Procedures:** We reconciled the monthly site selection, preconstruction and construction deferred tax carrying cost accruals displayed on Schedules T-3A.1, T-3A.2 and T-3A.3, respectively, to the supporting schedules in the Company's 2010 NCRC filing. We recalculated a sample of the monthly carrying cost balances for deferred tax assets based on the equity and debt components established in Order No. PSC-05-0945-FOF-EI.

5. **Objectives:** Our objectives were to verify that the CCRC Recoverable O&M Expenditure amount displayed on Schedule T-4, which rolls forward to Schedule T-1, is accurately calculated and that it includes the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

**Procedures:** We recalculated a sample of the monthly recoverable O&M expenditures displayed on Schedule T-4 of the Company's 2010 NCRC filing. We sampled and verified the O&M cost accruals and traced the invoiced amounts to supporting documentation. We verified company salary expense accruals and recalculated the respective overhead burdens the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order No. PSC-06-0972-FOF-EI, issued November 22, 2006, in Docket No. 060007-EI and in Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI.

6. **Objectives:** Our objectives were to verify that the jurisdictional nuclear construction amounts, displayed on Schedules T-6.1 – Site Selection, T-6.2 - Preconstruction and T-6.3 – Construction Capital Additions and Expenditures, which rolls forward to Schedules T-2.1, T-2.2 and T-2.3, are accurately calculated and are supported by original source documentation.

**Procedures:** We recalculated a sample of monthly jurisdictional nuclear construction accruals displayed on Schedules T-6.1, T-6.2 and T-6.3, respectively, of the Company's 2010 NCRC filing. We sampled and verified the generation and transmission cost accruals and traced the invoiced amounts to supporting documentation. We verified a sample of Company salary expense accruals and recalculated a sample of the respective overhead burdens that the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order Nos. PSC-06-0972-FOF-EI and PSC-10-0131-FOF-EI.

### Findings

There were no findings for this audit

Summary Exhibit  
Page 1 of 2

LEVY COUNTY NUCLEAR 1 & 2  
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance  
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.

COMPANY:  
Progress Energy - FL

[25-6.0423(5)(c)1.a., F.A.C.]  
[25-6.0423 (8)(d), F.A.C.]

Witness: Will Garrett

DOCKET NO.:  
110009-EI

For Year Ended 12/31/2010

Line No.	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f), F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$6,461,202	\$9,387,955	\$7,969,897	\$14,296,165	\$2,225,018	\$1,499,635	\$41,839,873
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	3,114,258	3,054,255	3,006,476	2,981,101	2,926,106	2,804,502	17,886,699
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	\$18,274	\$79,330	\$39,914	\$70,518	\$60,865	\$20,762	\$109,663
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$10,093,734	\$13,021,540	\$11,616,287	\$17,977,785	\$5,911,989	\$5,124,899	\$63,746,235
3. Final Construction Costs for the Period [25-6.0423(2)(i), F.A.C.]							
a. Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$35,190,030	\$39,291,266	\$43,395,938	\$46,119,438	\$48,839,232	\$50,260,684	
b. Carrying Costs on Additions (Schedule T-2.3, line 9)	369,791	413,146	456,586	485,241	513,857	528,813	2,767,435
c. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	(4,978)	(4,545)	(4,112)	(3,679)	(3,246)	(2,813)	(23,373)
d. Total Construction Amount (Lines 3.a through 3.b)	\$364,814	\$408,602	\$452,474	\$481,562	\$510,611	\$525,999	\$2,744,062
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	97,688	353,641	285,917	298,691	312,440	503,720	1,852,097
5. Other Adjustments (Note A)	(5,302)	0	0	0	0	0	(5,302)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$10,550,934	\$13,783,783	\$12,354,679	\$18,758,038	\$6,735,039	\$6,154,618	\$68,337,091
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$13,863,030	\$13,517,722	\$13,765,003	\$13,677,767	\$13,593,645	\$13,647,963	\$82,065,129
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$10,568,549	\$13,774,862	\$4,908,484	\$18,563,909	\$9,694,857	\$14,326,984	\$71,837,645
9. Final True-up Amount for the Period (Line 6 - line 8)	(\$17,615)	\$8,921	\$7,446,195	\$194,129	(\$2,959,818)	(\$8,172,366)	(\$3,500,554)

Note A: Adjustment represents (\$5,302) correction from 2009 T-4 Incremental O&M schedule per Discovery Response to Staff Rog #24c from Docket 100009-EI.



Summary Exhibit  
Page 2 of 2

LEVY COUNTY NUCLEAR 1 & 2  
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance  
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.

COMPANY:  
Progress Energy - FL

[25-6.0423(5)(c)1.a.,F.A..C.]  
[25-6.0423 (8)(d),F.A..C.]

Witness: Will Garrett

DOCKET NO.:  
110009-EI

For Year Ended 12/31/2010

Line No.	(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f),F.A..C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g),F.A..C.]							
a. Additions (Schedule T-2.2, line 1)	\$1,060,963	\$8,364,529	\$3,559,314	\$1,093,230	\$2,204,526	\$1,660,289	\$59,782,726
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	2,677,315	2,584,834	2,503,612	2,388,851	2,265,834	2,144,495	32,451,640
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	880,413	940,258	999,153	1,056,878	1,114,515	1,172,039	10,182,919
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$4,618,690	\$11,889,622	\$7,062,079	\$4,538,960	\$5,584,875	\$4,976,823	\$102,417,285
3. Final Construction Costs for the Period [25-6.0423(2)(i),F.A..C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$54,678,805	\$59,118,193	\$61,241,335	\$63,354,665	\$64,807,086	\$68,381,683	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	575,298	622,006	644,345	666,580	681,861	719,471	6,676,995
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	(2,381)	(1,948)	(1,515)	(1,082)	(649)	(216)	(31,164)
c. Total Construction Amount (Lines 3.a through 3.b)	\$572,917	\$620,058	\$642,830	\$665,498	\$681,212	\$719,255	\$6,645,832
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	177,664	122,385	54,340	193,449	115,219	(18,429)	2,496,726
5. Other Adjustments	0	0	0	0	0	0	(5,302)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$5,369,272	\$12,632,066	\$7,759,250	\$5,397,907	\$6,381,306	\$5,677,649	\$111,554,540
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$13,621,952	\$13,822,764	\$13,542,718	\$13,571,280	\$13,671,824	\$13,880,820	\$164,176,487
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$7,832,065	\$13,266,311	\$13,802,825	\$48,560,068	\$9,153,233	\$7,845,817	\$172,297,964
9. Final True-up Amount for the Period (Line 6 - line 8)	(\$2,462,793)	(\$634,245)	(\$6,043,575)	(\$43,162,161)	(\$2,771,927)	(\$2,168,166)	(\$60,743,424)

**INDEX OF CONFIDENTIAL WORKPAPERS**  
**Progress Energy Florida, Inc.**  
**Docket No. 110009-EI Audit Control No. 11-024-2-2**  
**NCRC Levy Units 1&2**

Item	Document Description	Type	Work Paper Location	Pages
1	Filing Schedules T-6.2 and T-6.3 printed from CD provided in LV-04-10	B	2-9 pgs 3-6	4
2	Filing Schedule T-6B.2 printed from CD provided in LV-04-10	B	2-11 pgs 1-2	2
3	Filing Schedule T-7 printed from CD provided in LV-04-10	B	2-12 pgs 1-2	2
4	Filing Schedule T-7B printed from CD provided in LV-04-10	B	2-14	1
5	Filing Schedule Appendix D printed from CD provided in LV-04-10	B	2-18	1
6	Audit recalculation of Filing Schedule T-6	A	3-5	1
7	Copy of Internal Audit 20010800 A1016	B	10-12/1 pgs 1-3	3
8	Copy of Internal Audit 20000212 M1008	B	10-12/2 pgs 1-16	16
9	Copy of company response to audit questions in Doc Req LV-13-10	B	10-13/1 pgs 1-2	2
10	Copy of EPC Shaw Invoice Final Audit Report Summary	B	10-13/2 pgs 1-3	3
11	Copy of CDIG Business Services test of Joint Venture Ream Invoice Process	B	10-13/3 pgs 1-8	8
12	Sample of Generation Capital cost	A	10-14 pg 2	1
13	Sample of Transmission Capital Cost	A	10-15 pg 2	1
14	EDP Report of Project Lev 2 by Construction and PreConstruction balance	A	13-4 pgs 1-2	2
15	EDP Report of Project Lev 2 by Generation and Transmission balance	A	13-4 pgs 3-4	2
16	Schedule of capital additions by type	A	19	1
17	Schedule of Filing and Transaction Detail Records reconciled to G/L	A	19-1	1
18	Schedule of capital additions by project	A	19-2 pgs 1-2	2
19	Schedule of Generation capital additions	A	19-5	1

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**NCRC Levy Units 1&2**

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20	Schedule of Generation capital additions – Hard Cost	A	19-7	1
21	Schedule of Generation capital additions – Hard Cost Adjustments	A	19-7/1	1
22	Schedule of Generation capital additions – Hard Cost Construction Audit Sample	A	19-8	1
23	Schedule of Generation capital additions – Hard Cost PreConst. Audit Sample	A	19-9 pgs 1-2	2
24	Schedule of Generation Project Management Cost	A	19-10	1
25	Schedule of Generation Project Management Cost - Construction	A	19-11	1
26	Schedule of Generation Project Management Cost - PreConstruction	A	19-12	1
27	Audit test of Generation Project Management Overhead & Burden Rates	A	19-13 pgs 1-2	2
28	Schedule of Generation Direct Labor Cost by Project and Type	A	19-14	1
29	Schedule of Transmission capital additions	A	19-20	1
30	Schedule of Transmission capital additions – Hard Cost	A	19-22 pgs 1-2	2
31	Schedule of Transmission capital additions – Hard Cost Adjustments	A	19-23 pgs 1-2	2
32	Schedule of Transmission capital additions – Hard Cost Construction & PreConstruction Audit Sample	A	19-24	1
33	Schedule of Transmission Project Management Cost	A	19-25	1
34	Schedule of Transmission Project Management Cost - Construction	A	19-26	1
35	Schedule of Transmission Project Management Cost - PreConstruction	A	19-27	1
36	Audit test of Generation Project Management Overhead & Burden Rates	A	19-28	1
37	Schedule of Transmission Direct Labor Cost by Project and Type	A	19-29	1
38	Schedule of Acc/Rev & Adjustments by Project Number	A	19-30 pgs 1-2	2

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**NCRC Levy Units 1&2**

<b>Item</b>	<b>Document Description</b>	<b>Type</b>	<b>Work Paper Location</b>	<b>Pages</b>
39	Schedule of Acc/Rev & Adjustments by Adjustment Number	A	19-31 pgs 1-2	2
40	Adjustment Sample	A	19-32	1
41	Capital Labor Schedule	A	19-35	1
42	Capital Labor Schedule – Generation	A	19-36 pgs 1-2	2
43	Capital Labor Schedule – Transmission	A	19-38	1
44	Capital transaction balances for APOG	A	47-3 pgs 1-2	2
45	Non Cash Accruals for capital expense	A	67 pgs 3-6	4

*Total Confidential Pages Enclosed*

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